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DOS review(s) completed.

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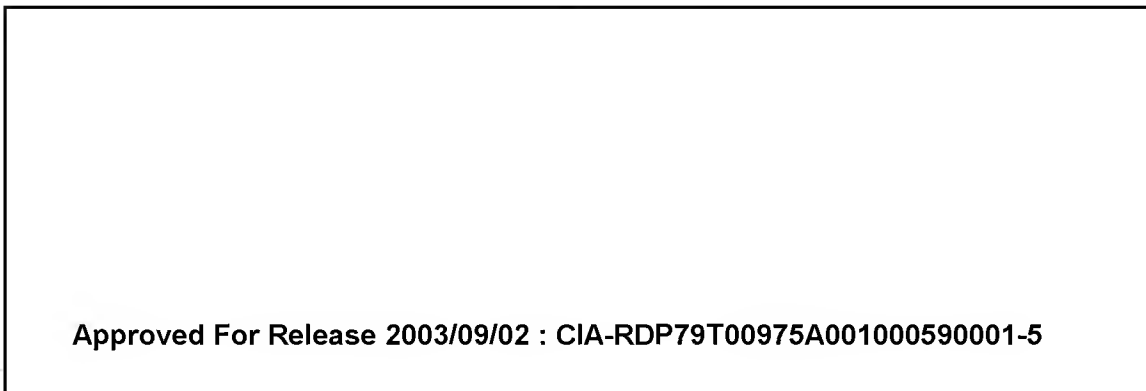


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NEAR EAST - AFRICA

3. Comment on Iranian Majlis report on Shah's powers:

The eight-man Majlis committee appointed to examine the dispute between the Shah and Prime Minister Mossadeq announced on 12 March that, according to its interpretation of the constitution, the monarchy is a "divine trust" and the administration of both civil and military affairs is therefore the responsibility of the ministers and not the monarch.

If this report is adopted by the Majlis, as is probable, Mossadeq will have reduced the Shah to the status of a figurehead, which has long been one of his prime objectives.

4. Israel plans to request special assistance from US:

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Foreign Minister Sharett has told Ambassador Davis that Israel must request "one time" special assistance after 30 June. He stated that despite his government's reduction of short-term debts, a shortage of approximately \$20,000,000 was expected for the quarter ending on 30 June.

Ambassador Davis comments that Israeli financial practices to date provide little assurance that the government can avoid incurring further short-term debts.

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Comment: Israel twice requested financial assistance in 1952 to meet impending obligations, and there is little reason to expect that the government in Tel Aviv will require only "one time" aid.

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WESTERN EUROPE

6. Adenauer presses for reply on Allied occupation costs:

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Chancellor Adenauer has warned that without information on the amount of anticipated Allied occupation costs, parliament will not act on the Israeli restitution agreement, and that he might therefore have to postpone his trip to Washington until the restitution agreement is finally ratified.

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Comment: Last May the Allies agreed not to charge the West German Government more than \$120,000,000 monthly as occupation costs until November, when the contractual finance convention was expected to become effective. Since then, the Allies have been unable to agree on the level of occupation costs, largely because of French insistence that German "defense" expenditures be increased.

7. French-German relations deteriorate during Coal-Steel Community Ministers' meeting:

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The recent Strasbourg meeting of the Coal-Steel Community was unproductive and French Foreign Minister Bidault's behavior angered both West German Chancellor Adenauer and Italian Premier de Gasperi.

Ambassador Bruce believes that the bilateral talks on the Saar which took place between Adenauer and Bidault on the same occasion were inconclusive.

Comment: A high West German official states that Bidault, contrary to the earlier French stand, has refused to enter into further talks on the Saar until after the conclusion of the current French-Saar negotiations in Paris. German delegates to the Coal-Steel Assembly believe that the French are backing out of the Adenauer-Schuman understanding on the political aspects of the Saar question.

8. Key French Deputy would shelve EDC in favor of talks with Soviet Union:

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French Socialist deputy Jules Moch, who is responsible for reporting the EDC treaty out of the National Assembly Foreign Affairs

Committee, informed American representatives in Paris that the committee will not consider his report until after the May municipal elections and will then recommend against ratification. He believes that since the EDC is unacceptable, the only realistic alternative is "to talk to the Russians."

Comment: Moch effectively curbed Communist influence in France when he was Minister of the Interior in 1948. Nevertheless, he subordinates everything to his hatred of German militarism and is the spokesman for a number of deputies who think that the French Assembly can prevent any arming of the Germans.

The Socialist Party's position on EDC, however, will probably be influenced more by the ultimate British stand than by Moch's attitude.

Renewed pressure for another round of East-West talks, which was to be expected following Stalin's death, is already evident in Radical Socialist leader Daladier's appeal for talks with the Soviet Union.